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Uncertainty presents as Trump and Xi trade meeting was postponed to April or June. A meeting between U.S and China to sign an agreement to end their trade war would not occur this month and is more likely to happen in April at the earliest, Bloomberg reported citing unnamed sources. Previously, Trump said that he expected to hold a summit with Xi Jinping by late this month at his Florida golf resort. Despite the claims of progress in talks by both sides, Trump said on Wednesday he was in no rush to complete a trade pact with China and insisted that any deal should include protection for intellectual property. On the other hand, Lighthizer - the US Trade Representative, this week pointed to "major issues" were still unresolved in the talks, with few signs of breakthrough on the most difficult subjects. Meanwhile, Mnuchin - the US Treasury Secretary told a congressional committee earlier Thursday that he expected the deal to be finalized soon, but cautioned that the process is complex.

Crude trades higher amidst OPEC production cut, additional black-out from Venezuela, and Iran sanctions. Oil has rallied this week as illustrated by WTI that traded at USD58.61/bbl (+4.7% WoW) on Friday, 15 March 2019, late afternoon (GMT+7). This rise was contributed by OPEC+ alliance production cut of 1.2mn bpd as of beginning of the year. The group will meet on April 17-18 in Vienna to discuss future output policy. On the other hand, Venezuela experienced an electricity blackout as a failure at the Guri hydropower plant since last Thursday affected the country's oil export and production are left in the dark. However, the IEA reported that OPEC members are currently sitting on ~2.8mn b/d of spare production capacity, of which Saudi Arabia are holding two-thirds of it. Thus, it is possible that other OPEC members can cover Venezuela's missing output. On the demand side, crude oil used in China in 2M19 rose 6.1% YoY to 12.68mn bpd. Future oil price will be a battle between U.S. shale output, OPEC+ production policy, as well as the global economy that are focused on US-China trade talks and Brexit negotiations. We predict volatility to remain due to the huge overhang that remains and advise investors to be cautious and be on the lookout on oil volatility. Stocks negatively affected by high oil price are coal and cement stocks due to high fuel cost, while beneficiaries are oil and gas companies.

Tailwind from Indonesia's trade balance data. Badan Pusat Statistik (BPS) had just released February trade balance data on Friday, 15 March, in which Indonesia experienced a surplus of USD 329.5mn. Taking a further look, exports were recorded at USD 12.53bn, showing a 10.03% MoM drop driven by 9.85% MoM decline in non-oil and gas exports to USD 11.44bn coupled with 11.85% drop in oil and gas exports to USD 1.09bn. Jewelry copper, copper and pulp experienced the largest increase in non-oil and gas exports, while those experienced the biggest decline were mineral fuels, animal vegetable fats and oils, crust ore, and metal ash. Despite the weak exports, trade balance stood at surplus level, mainly driven by substantial drop in imports at 18.61% MoM as a result of 20.14% decline in non-oil and gas imports and 6.28% MoM decline in and oil and gas imports. The biggest decline in non-oil and gas imports were class of machinery and electrical equipment. All in all, the market reacted positively to the surplus trade balance with JCI closed higher at 6,461.2 (+0.7%) as con census were expecting another deficit. We believe the surplus might be a help to narrow current account deficit (CAD) in 1Q19.

CPO price plummeted on several unexciting news. CPO price ended at MYR 1,880/ton as of 15th March 2019, dropped by almost 15% from its highest level this year. Several factors on the decline were the persisting high Malaysia CPO stockpiles, disappointing CPO shipments, as well as noise coming from European Union's (EU) move to limit palm oil in biofuels. Malaysia Palm Oil Board (MPOB) posted Malaysia Feb-2019 CPO production to reach 1.54mn tons (-11.1% MoM; +15% YoY), with exports falling to 1.32mn tons from 1.7mn tons in the previous month. This eventually led its CPO stockpiles to remain high at 3.04mn tons. Additionally, Malaysia CPO exports were reported sluggish in the period of 1-15 March 2019, seen from Intertek and AmSpec's data that showed CPO shipments drop by 5.1% and 1.3% from earlier month. What made it worse was that the EU have passed the bill that curbs CPO biodiesel consumption, and its move to bring in stricter limits and set new criteria for sustainable biofuels. That being said, the CPO biofuels would be limited from 2019, starting a gradual phase-out in 2023 leading to zero usage in 2030. In all, we believe not much positive catalysts to support CPO price in the near-term. However, the potential future global CPO supply and demand growth mismatch should be able to support CPO price in the longer-term.

Domestic cement sales volume figure in February remained weak. Cement industry recorded 4.9mn tons of domestic sales volume in February 2019, or grew by 1.2% YoY. Adding up the export sales, which amounted to 421k tons of cement sold in the period, total cement sales was recorded at 5.3mn tons (+6.3%). The sales figure was backed by bag cement sales which increased by 4% YoY and implied 76% of total cement sales, whereas bulk cement sales dropped by 6.6%.

Looking at companies' specific reports, INTP's monthly sales growth was relatively flat at +1.4% YoY (1.3mn tons). Market share stood at stable trajectory of 26% (vs 26.2% in Feb 18/ 25.8% in Jan 19) as ASP stabilized. Similarly, SMGR's Feb 19 domestic cement sales reading was rather unchanged at 1.9mn tons (+1.15% YoY). The company's performance, however, was boosted by significant hike in export sales of 301k tons (+73.1% YoY). This led to 7.4% overall sales growth for SMGR, which is pretty much higher than that of INTP's. SMGR's market share was also stable at 38%. On the flip side, Solusi Indonesia Bangunan (ex-SMCB), which is now the part of SMGR, was gaining market share as its sales volume climbed by 6% YoY (765k tons). SIB's market share was at 17.1% (vs 15% in Feb 18/16% in Jan 19).

Overall, we have yet to see significant pick-up in domestic cement demand as development for property sector remains soft, while demand was dragged since some major infrastructure projects are put on hold following the upcoming elections. We continue to like SMGR (BUY: IDR 13,850) due to its strong foothold on domestic market, the existence of export distributions, and more attractive valuation compared to its peers (27.3x FY19F PE). However, we anticipate recent uptick in lower CV coal price as the downside risk for the sector.

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